

# UP represents new growth wave



Arshiya International is soon going to unveil its second defining Free Trade Warehousing Zone (FTWZ) in Khurja, UP. But why did it choose UP to set up this large-scale project? Pawanexh Kohli, Senior VP of Arshiya International responds...

Arshiya International's second Free Trade Warehousing Zone (FTWZ) unit is going to be soon unveiled in Khurja, Uttar Pradesh. It's going to be truly state-of-the-art unit covering a sprawling 315 acres land area. It is demarcated into two main sections – one is called free trade warehousing zone which is cordoned off as a deemed foreign territory and outside the tariff zone of the country. The other is the domestic distribution park where we would service the domestic businesses. Across one end they are stitched with our railways sidings-six rail lanes across. In terms of scale, this unit would comprise a score of warehouses covering a footprint of over 100,000 square feet each and would be 13 meters high. Besides these warehouses, we have also built nearly half a dozen container and open yards.

In terms of logistics infrastructure in the state, Khurja facility is all set to be a definite signpost. And contrary to popular perception about the administrative hurdles in the state, we received a positive support from the UP government in setting up this unit. In fact, they have been party to our vision of how industrial growth and development is going to unfold in this country going ahead.

Most of the development typically

worldwide including China is happening around ports. But here India can boast of offering a contrarian trend. Historically, Maharashtra and Mumbai have emerged as trade centers because of ports. But how would you explain the developments in hinterland pockets like Punjab and Haryana? The point is: India has not typically limited itself to economic growth around ports only. And today Indian market condition is unique in the sense that it has a population with a very high aspirations level which would trigger further churnings in terms of new pockets assuming prominence.

As in anything else, growth too is bound by cyclical rules. Catching up games is probably always in play between different pockets. If we look at historical perspective, then UP and Bihar were very developed pockets around independence. But then they went through a slump in terms of economic development and reckoning. The good news is: its their turn in the future again. The growth story of India, resides in the aspiration level of the people, which is more now in states like UP and Bihar. These states have the manpower, there is the need and talking specifically of our Khurja unit, we found the government understood our concept and they supported us.

We are often asked that if Arshiya wanted



Views of the upcoming Khurja FTWZ unit

to have a strong presence in North India, then why did we choose UP? We could have easily chosen Haryana. There are various reasons for it. Firstly, we got the clear support and direction from UP government. Secondly, it is the confluence of the two freight corridors which are under implementation. Three, Haryana has already reached to a particular stage of development and exists as the ready market for supply chain solution providers like us. From our standpoint, we opted to be part of the growth story of the future whilst being close to a ready market. Our company's vision is: we are going to change the face of the logistics in the country. To contribute to the new wave that comes across, UP cannot be ignored

as it is going to be the new future. Personally, I do strongly subscribe to the theory that UP has an ideal location to serve the markets in the east as well as north. Speaking in terms of constitution of markets in north India, the existing markets typically have been for quite a while around urban centers. In earlier part of this evolution, there was only Delhi. Then other markets were added – Chandigarh, Ludhiana, Jaipur, etc. The earlier thought process was: growth happens when you become urbanized. But now the scene has changed. Growth no longer is perceived as urbanisation of space. The new belief is: march to the rural markets, tier-I and tier-II cities. In that context, UP is an ideal place for

the country's future businesses. It is surrounded by ready markets and has its own developing markets. So future lies here and the same fate probably awaits Bihar. But there aren't too many players preparing to serve these emerging markets. We as a company have decided to be in forefront of this positioning drive. The demand in these pockets is people driven and changes are bound to unfold. We can distinctively notice that rural industries are emerging and agricultural business itself is evolving as a major revenue spinner.

Robust growth of Indian Economy in general and states like UP in particular will have direct impact on derived demand of Integrated Logistics infrastructure. To meet the demand world class logistics infrastructural facilities needs to be developed. Arshiya is taking first of its kind initiative in India to develop and operate state-of-the-art Modern Freight Terminal at Khurja (80 Kms from Delhi) with FTWZ and Domestic Distribution hubs 'Distriparks' as a "One Stop Shop" for all the logistical needs. Arshiya's integrated Khurja facility will enable companies to minimize their infrastructure cost, leveraging the potential of UP as India's emerging trade hub.

Now that our Khurja unit is being labeled as a new signpost even before it has become operational, there certainly is pressure of performance on us. But it also allows us to ask more from the government. While we have put a state-of-the-art infrastructure, we would also like to see the surrounding hinterland improving particularly the road infrastructure. We are relying a lot today on our rail connectivity but road infrastructure has to improve considerably. We would also like to sit and interface further with our decision makers to see how we as enablers and believers of the story of UP can bring actual growth in the state. Our unit should not end being a signpost in the dark. It should ultimately become a lighthouse which attracts more business. For this, we look forward to more support from the state government, towards promoting fresh industrial trade in UP and in leveraging us as the enablers to service and attract that growth. ▼

# A far-fetched dream!



**Professor Samir Srivastava** of Indian Institute of Management (IIM), Lucknow strongly argues that the task of making UP a logistics hotspot is quite tall an order at this juncture, if not impossible.

Logistics infrastructure is a key enabler for sustainable development today as inclusive value chains could be a pathway out of poverty. Having spent most of my life in the heart belt of Uttar Pradesh, which still suffers from abject poverty despite being endowed with natural and human resources, a question keeps on haunting my mind - can a fast-improving transport infrastructure help UP to become a hub for the logistics industry? It may seem a utopian dream but certainly needs some pondering and analysis.

What comprises logistics infrastructure? - Primarily roads, railways, civil aviation, ports, power supply, mobile network and warehouses. The establishment of a logistics hub therefore presupposes full electrification and power supply, proper road, rail and air infrastructure, excellent mobile network and good port connectivity. Have we missed something? Yes; we need production facilities and markets along with supportive and progressive governance; additionally we need enough of food security, water sources and basic health amenities for the population.

What is the current state of affairs on the

above? Agricultural commodities account for about half of the total logistics market and the state has a relatively under-developed transportation network. There is a lack of good warehousing in and around the major trading centres despite a high demand for warehousing of agricultural and perishable products. Barring the impact of proximity of the NCR districts to Delhi, most of the state, particularly east of Kanpur, lacks in multi-modal logistics network comprising logistics parks, warehousing zones, transport centres and Inland Container Depots (ICD). The inter-modal transportation capabilities are limited and a majority of the gross tonnage is being transported by trucks. The road infrastructure is marginally better than the rail as some of it is part of the National Highways and Golden Quadrilateral. Cold Chain infrastructure is quite poor and concept of "Integrated Cold Chain" is practically non-existent. IT and mobile penetration is reasonably sufficient. Power supply is inadequate even at present demand and power companies have been facing supply loss even in urban UP. As per the prevalent policy, UPPCL

supplies the selected franchisees with only prefixed power for every city, which generally is far short of the demand and results in franchisees having the option between load shedding or purchasing it at a higher price from the open market to supply it to the consumers at the same tariff. Understandably, they prefer the former. Higher operating costs, shortage of talent and inefficiencies result in lower productivity and margins. Consequently, the state has failed to attract talent and capital investment.

So, road and rail connectivity, available haulage capacity, quality power and operational issues need urgent attention. Holistic infrastructure and logistics policy is the need of the hour to promote sustainable development for the state. The state is in dire need of self-sustained industrial townships with world-class infrastructure, road, rail & air connectivity, quality social infrastructure that provide a globally competitive environment conducive for setting up businesses.

The state government has already planned more than 3500 acres of Special Economic Zones (SEZ), multiple railway terminals, container depots,

etc. All these SEZ (central, state and private) are confined to in and around NCR region. Even the Taj International Aviation Hub (TIAH) is in the same region. The least focus of government seems to be on 'clearing infrastructure bottlenecks' as none of the SEZs focuses much on logistics. In fact, quality standards or benchmarks have generally been not followed in infrastructure development. In eastern UP, Lucknow-Gorakhpur expressway and an airport at Kushinagar have been planned. This area offers huge business opportunity for creating warehouse infrastructure with warehousing partners of commodity exchange. There is an urgent need to create modern agro warehouses and Integrated Transport Centres. UP also offers good opportunities for contract farming, organic farming, floriculture, call centres, artisan products, carpets and handicrafts. Varanasi silk, mangoes, guava, papie mache, cement, fertilisers, limestone, sugarcane and cash crops also offer tremendous production and trade opportunities

Being strategically located en-route both the western and eastern Dedicated

Freight Corridors (DFC), Uttar Pradesh has the potential to attract large-scale investment from public as well as private entities. Western corridor is from JNPT to Dadri and just touches on fringes of UP. However, Uttar Pradesh is a critical state on eastern corridor with 1002 km stretch and will be the centre of whole activity. DFC will provide fast and efficient connectivity from hubs in Uttar Pradesh to ports at Mumbai and Kolkata. Indian Railways intends to develop Multi-modal Logistics Parks (MMLP) through PPP along the proposed eastern DFC at strategic locations including one at Kanpur. The park will be developed on a Public-Private-Partnership (PPP) mode as a common user facility with direct rail connectivity and state-of-the-art infrastructure.

Finally, how do we realise the utopian dream? Policy hurdles and red-tape need to be addressed quickly. The use of public-private partnerships (PPPs) for infrastructure development also needs significant attention. Primary objective of all stakeholders should be to create trade related infrastructure, envisaging excellent infrastructure for warehousing and transportation of various products.

There is a huge opportunity for organised players and this will encourage international players like DHL, Warburg Pincus and DB Schenker who have already increased their infrastructure presence in India.

Firms are also exploring new distribution and manufacturing models. Mega Logistics Parks" integrated and modern logistics cum transport centres should be established across major locations in the state on PPP format as has been the case in Karnataka.

Along with improvement of the physical aspects of infrastructure, there is also an ongoing need to rationalise and improve the regulatory environment. Innovative practices and better technology can be great enablers. A technology driven and infrastructure supported integrated approach can be useful. Tax rationalisation and improved fiscal management by the governments (both state and central) and increased mobilisation of capital (especially foreign direct investments) for infrastructure investment may help in successfully tackling many of these challenges.

(The views expressed are personal)





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